

FILED
CLERK'S OFFICE
UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS
2013 MAR 29 P 3:37

UNITED STATES OF AMERICA)
)
v.)
)
PATRICK CAVANAUGH,)
)
Defendant.)

~~FILED UNDER SEAL~~
DISTRICT OF MASS.

CRIMINAL NO.

13cr10087-

VIOLATIONS:

26 U.S.C. §7206(1) - Subscribing to False
Tax Return

INFORMATION

The United States Attorney charges that at all times relevant and material to this
Information, unless otherwise stated:

Introduction

1. The defendant, **PATRICK CAVANAUGH** (“**CAVANAUGH**”), was a resident
of Gloucester, Massachusetts.

2. From in or about 2005 through approximately July 2010, **CAVANAUGH** was
employed by Calloway Laboratories, Inc. (“Calloway”), a urine drug testing company that is
headquartered in Woburn, Massachusetts.

3. **CAVANAUGH** owned and controlled an entity named JAC Resources, Inc.
 (“JAC”). According to the articles of incorporation for JAC, which was electronically signed by
CAVANAUGH on or about May 20, 2005, **CAVANAUGH** was the registered agent and
president of JAC.

4. JAC was entirely funded by Calloway. Between approximately 2005 through
2008, Calloway wrote checks payable to JAC, and **CAVANAUGH**, acting on behalf of JAC,

then made payments to other individuals, in order to induce those individuals to refer urine drug testing business to Calloway. Between approximately 2005 through 2008, **CAVANAUGH** also made payments to himself via JAC.

5. For the tax years 2005, 2006, 2007 and 2008, **CAVANAUGH** filed individual income tax returns jointly with his wife (U.S. Individual Income Tax Return - Form 1040) that were self-prepared.

6. During the tax years 2005, 2006, 2007 and 2008, **CAVANAUGH** deposited sixteen checks, totaling approximately \$48,992.00 and made payable to himself, from JAC into a joint bank account that was owned by **CAVANAUGH** and his wife. **CAVANAUGH** failed to report any of these checks as income on the tax returns that he filed jointly with his wife (U.S. Individual Income Tax Return - Form 1040) for the tax years 2005, 2006, 2007 and 2008.

7. During the tax years 2005, 2006, 2007 and 2008, **CAVANAUGH** utilized the debit card/credit card connected to the JAC bank account to make numerous ATM withdrawals from the JAC bank account. The ATM withdrawals and related fees totaled approximately \$4,343.25, \$7,874.86, \$5,210.75 and \$4,134.75 for the tax years 2005, 2006, 2007 and 2008, respectively. **CAVANAUGH** failed to report any of these amounts as income on the tax returns that he filed jointly with his wife (U.S. Individual Income Tax Return - Form 1040) for the tax years 2005, 2006, 2007 and 2008.

8. During the tax years 2005, 2006, 2007 and 2008, **CAVANAUGH** made payments on mortgages for his homes via electronic funds transfer from the JAC bank account. The mortgage payments made from the JAC bank account totaled approximately \$11,466.77, \$36,642.22, \$33,209.77 and \$33,819.71 for the tax years 2005, 2006, 2007 and 2008,

respectively. **CAVANAUGH** failed to report any of these amounts as income on the tax returns that he filed jointly with his wife (U.S. Individual Income Tax Return - Form 1040) for the tax years 2005, 2006, 2007 and 2008.

9. During the tax years 2005, 2006, 2007 and 2008, **CAVANAUGH** utilized the debit card/credit card connected to the JAC bank account to make numerous personal purchases. The debit card/credit card withdrawals that **CAVANAUGH** made from the JAC bank account totaled approximately \$28,125.82, \$15,509.04, \$8,260.33 and \$19,163.46 for the tax years 2005, 2006, 2007 and 2008, respectively. **CAVANAUGH** failed to report any of these amounts as income on the tax returns that he filed jointly with his wife (U.S. Individual Income Tax Return - Form 1040) for the tax years 2005, 2006, 2007 and 2008.

COUNT ONE (26 U.S.C. §7206(1) - Subscribing to False Tax Return)

10. The United States Attorney realleges and incorporates by reference paragraphs one through nine of this Information as if set forth herein.

11. At times material to this Information, **CAVANAUGH** filed an individual income tax return jointly with his wife (U.S. Individual Income Tax Return - Form 1040) for tax year 2005. The tax return purported to reflect the total income **CAVANAUGH** earned for tax year 2005.

12. **CAVANAUGH** attested that the return, which was electronically filed, was true, correct and complete by attaching a page to the return containing a Perjury Statement, Disclosure Consent and Jurat Information. **CAVANAUGH** then caused the return to be filed with the Internal Revenue Service Center, Andover, Massachusetts.

13. As **CAVANAUGH** well knew, however, the return was materially false. In

reality, the return reported a fraction of the income that **CAVANAUGH** obtained in tax year 2005. In particular, the return did not reflect the substantial cash and check income that **CAVANAUGH** received from Calloway, via JAC.

14. The United States Attorney charges that on or about January 15, 2006, in the District of Massachusetts, the defendant,

PATRICK CAVANAUGH,

did willfully make and subscribe a U.S. Individual Income Tax Return, Form 1040, for tax year 2005, which was verified by a declaration that it was made under the penalties of perjury and was filed with the Internal Revenue Service Center, Andover, Massachusetts, which Return **CAVANAUGH** did not believe to be true and correct as to every material matter in that said Return reflected total taxable income of \$66,939.00, whereas, as **CAVANAUGH** then and there well knew and believed, his total taxable income exceeded that amount.

All in violation of Title 26, United States Code, Section 7206(1) and Title 18, United States Code, Section 2(b).

COUNT TWO (26 U.S.C. §7206(1) - Subscribing to False Tax Return)

15. The United States Attorney realleges and incorporates by reference paragraphs one through nine of this Information as if set forth herein.

16. At times material to this Information, **CAVANAUGH** filed an individual income tax return jointly with his wife (U.S. Individual Income Tax Return - Form 1040) for tax year 2006. The tax return purported to reflect the total income **CAVANAUGH** earned for tax year 2006.

17. **CAVANAUGH** attested that the return, which was electronically filed, was true,

correct and complete by attaching a page to the return containing a Perjury Statement, Disclosure Consent and Jurat Information. **CAVANAUGH** then caused the return to be filed with the Internal Revenue Service Center, Andover, Massachusetts.

18. As **CAVANAUGH** well knew, however, the return was materially false. In reality, the return reported a fraction of the income that **CAVANAUGH** obtained in tax year 2006. In particular, the return did not reflect the substantial cash and check income that **CAVANAUGH** received from Calloway, via JAC.

19. The United States Attorney charges that on or about January 13, 2007, in the District of Massachusetts, the defendant,

PATRICK CAVANAUGH,

did willfully make and subscribe a U.S. Individual Income Tax Return, Form 1040, for tax year 2006, which was verified by a declaration that it was made under the penalties of perjury and was filed with the Internal Revenue Service Center, Andover, Massachusetts, which Return **CAVANAUGH** did not believe to be true and correct as to every material matter in that said Return reflected total taxable income of \$50,066.00, whereas, as **CAVANAUGH** then and there well knew and believed, his total taxable income exceeded that amount.

All in violation of Title 26, United States Code, Section 7206(1) and Title 18, United States Code, Section 2(b).

COUNT THREE (26 U.S.C. §7206(1) - Subscribing to False Tax Return)

20. The United States Attorney realleges and incorporates by reference paragraphs one through nine of this Information as if set forth herein.

21. At times material to this Information, **CAVANAUGH** filed an individual income

tax return jointly with his wife (U.S. Individual Income Tax Return - Form 1040) for tax year 2007. The tax return purported to reflect the total income **CAVANAUGH** earned for tax year 2007.

22. **CAVANAUGH** attested that the return, which was electronically filed, was true, correct and complete by attaching a page to the return containing a Perjury Statement, Disclosure Consent and Jurat Information. **CAVANAUGH** then caused the return to be filed with the Internal Revenue Service Center, Andover, Massachusetts.

23. As **CAVANAUGH** well knew, however, the return was materially false. In reality, the return reported a fraction of the income that **CAVANAUGH** obtained in tax year 2007. In particular, the return did not reflect the substantial cash and check income that **CAVANAUGH** received from Calloway, via JAC.

24. The United States Attorney charges that on or about January 9, 2008, in the District of Massachusetts, the defendant,

PATRICK CAVANAUGH,

did willfully make and subscribe a U.S. Individual Income Tax Return, Form 1040, for tax year 2007, which was verified by a declaration that it was made under the penalties of perjury and was filed with the Internal Revenue Service Center, Andover, Massachusetts, which Return **CAVANAUGH** did not believe to be true and correct as to every material matter in that said Return reflected total taxable income of \$76,231.00, whereas, as **CAVANAUGH** then and there well knew and believed, his total taxable income exceeded that amount.

All in violation of Title 26, United States Code, Section 7206(1) and Title 18, United States Code, Section 2(b).

COUNT FOUR (26 U.S.C. §7206(1) - Subscribing to False Tax Return)

25. The United States Attorney realleges and incorporates by reference paragraphs one through nine of this Information as if set forth herein.

26. At times material to this Information, **CAVANAUGH** filed an individual income tax return jointly with his wife (U.S. Individual Income Tax Return - Form 1040) for tax year 2008. The tax return purported to reflect the total income **CAVANAUGH** earned for tax year 2008.

27. **CAVANAUGH** attested that the return, which was electronically filed, was true, correct and complete by attaching a page to the return containing a Perjury Statement, Disclosure Consent and Jurat Information. **CAVANAUGH** then caused the return to be filed with the Internal Revenue Service Center, Andover, Massachusetts.

28. As **CAVANAUGH** well knew, however, the return was materially false. In reality, the return reported a fraction of the income that **CAVANAUGH** obtained in tax year 2008. In particular, the return did not reflect the substantial cash and check income that **CAVANAUGH** received from Calloway, via JAC.

29. The United States Attorney charges that on or about January 5, 2009, in the District of Massachusetts, the defendant,

PATRICK CAVANAUGH,

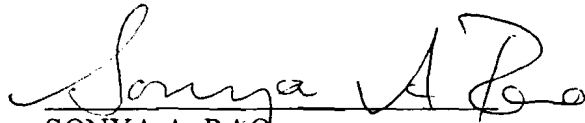
did willfully make and subscribe a U.S. Individual Income Tax Return, Form 1040, for tax year 2008, which was verified by a declaration that it was made under the penalties of perjury and was filed with the Internal Revenue Service Center, Andover, Massachusetts, which Return **CAVANAUGH** did not believe to be true and correct as to every material matter in that said

Return reflected total taxable income of \$120,016.00, whereas, as **CAVANAUGH** then and there well knew and believed, his total taxable income exceeded that amount.

All in violation of Title 26, United States Code, Section 7206(1) and Title 18, United States Code, Section 2(b).

CARMEN M. ORTIZ
UNITED STATES ATTORNEY

By

A handwritten signature in black ink, appearing to read "Sonya A. Rao", written over a horizontal line.

SONYA A. RAO
AMANDA P. M. STRACHAN
Assistant U.S. Attorneys

Date: March 29, 2013